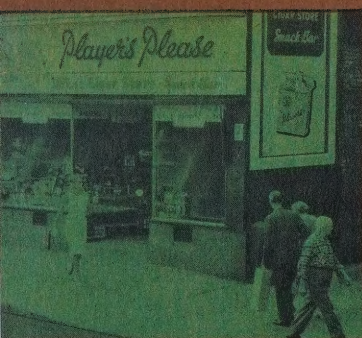


AR27

ANNUAL REPORT 1962

MAR 7 1963

THE COMMUNITY AT LARGE



IMPERIAL TOBACCO COMPANY OF CANADA, LIMITED



THE YEAR AT A GLANCE

CONSOLIDATED NET EARNINGS

amount for year.....	\$13,361,000
compared to previous year — decrease.....	496,000

INCOME TAXES

amount for year.....	12,233,000
compared to previous year — decrease.....	710,000

EARNINGS PER COMMON SHARE

amount for year.....	1.33
compared to previous year — decrease.....	.05

FUNDED DEBT

amount at beginning of year.....	11,628,000
paid and cancelled during year:	
maturities.....	\$700,000
purchases.....	941,000
amount at end of year.....	1,641,000
	9,987,000

RETAINED EARNINGS

amount at beginning of year.....	\$37,757,000
added during year.....	2,818,000
amount at end of year.....	40,575,000

WORKING CAPITAL

amount at beginning of year.....	88,720,000
increase during year.....	5,116,000
amount at end of year.....	93,836,000

DIVIDENDS

amount for year on	
6% cumulative preference shares.....	482,000
common shares (rate per share 72½¢).....	7,011,000
all shares.....	7,493,000

The figures set out on this page provide a quick glance at the results for the year 1962. More comprehensive information appears on pages 17 to 24.

MAR 7 1963

IMPERIAL TOBACCO COMPANY OF CANADA, LIMITED



FIFTY-FIRST ANNUAL REPORT 1962

The year at a glance	<i>Inside Cover</i>
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COVER NOTE: *Doing business today requires attention to a wide range of activities, possibly far more than in bygone years. The interest that Imperial Tobacco has in "the community at large" is reflected in these vignettes of Canadian life: the new "Skyscraper Canyon" in Montreal; the Festival theatre at Stratford, Ontario; a corner-store; a shopping-centre; and the Empire Stadium in Vancouver.*

Si vous désirez recevoir ce rapport annuel en français, veuillez vous adresser au Secrétaire, case postale 6500, Montréal 3, Qué.



SALES UP, EARNINGS DECLINE SLIGHTLY

The net sales of Imperial Tobacco's consolidated operations in 1962 were \$373,392,000. This total was \$14,287,000 higher than the year before and represented approximately the same proportion of the total market as previously.

The Company's net earnings of \$13,361,000 in 1962 were lower than the previous year but dividends on common shares at 72½ cents per share were at the same level as the increased rate of the preceding year.

While this notable advance in sales was secured, higher costs for leaf tobacco, the effects of a new labour contract and other increased costs more than offset the earnings benefit of the additional sales.

These cumulative increases in costs inevitably place pressure on net earnings and the Company is giving continuing attention to this situation.

The drive for economies was pursued in all parts of the Company with resulting improvements contributing toward the level of earnings actually achieved.

Further modernization of the manufacturing process in the Quebec City plant was completed and increased production was secured at the Guelph plant. In all plants, modifications and improvements in process are going on all the time, many initiated or conceived by employees on

THE PRESIDENT REPORTS TO THE SHAREHOLDERS

Edward C. Wood, President of Imperial Tobacco, is shown the new sales office of the Quebec West branch of the company in St. Laurent, a suburb of Montreal. Explaining the new arrangements are O. L. Arcand, left, assistant branch manager, and C. F. Gloutnay, office manager.

the actual operations. The Company's program of training and studies is designed to develop initiative and to assist staff in making the best use of their physical, mental and emotional possibilities.

Federal excise tax and provincial sales taxes on tobacco products continued to exact a disproportionate amount of revenue relative to the retail selling value of the products. The taxes together, as a percentage of the retail value before tax, average 124 per cent and range as high as 149 per cent. In effect, those who smoke pay a tax ratio far in excess of other commonplace items of daily living.

Many merchandising advances were noteworthy in the year. Player's Mild plain-end continued to be the best-selling cigarette in Canada. The development of the new Filter Player's brand, which was launched last year, advanced satisfactorily and is expected to progress further in 1963. In fact, considering the Player's trademark as a whole, one cigarette of every five sold in Canada is a

member of the Player's family.

Player's Medium, which has appealed to a loyal following over many years, appeared in a re-designed package in 1962. The new package has been greeted with many favourable comments.

The position of Cameo was improved as the leading menthol cigarette in Canada and the sale of Pall Mall cigarettes continued to be satisfactory.

The market for pipe tobaccos was enlarged significantly during the year with the introduction of a number of new brands. Some of these are imported and some are of domestic manufacture. Hollandia pipe tobacco continued to show a good increase in sales; Dutch Mill regular and aromatic pipe tobaccos were introduced and met encouraging acceptance.

Extension of promotional and advertising effort was made on behalf of Brahadi's which showed continued growth. Old Chum, long the leading brand, retained its prominent position in the pipe tobacco market.

Among the diversified lines of the Company's business, cigars last year were given added attention and the Imperial Tobacco group represents a large portion of this market.



The distinguished House of Lords family of six shapes continued its leading position, enhanced by the redesigned pocket packs which attracted fresh interest. The White Owl family was extended to five different shapes and presented in newly-designed pocket packs. A gratifying jump took place in the sale of Old Port cigars, aided no doubt by the introduction of an attractive barrel container which won prominent display on cigar counters. Sales of La Palina, long a quality cigar, continued to be healthy.

The Company maintained its prominent position in such lines as plug tobacco, snuff and cigarette paper. The leading brand of snuff, Copenhagen, was joined by the entry of Skol, the first menthol flavoured snuff made in Canada.

Over the years the Company has always regarded smoking as an adult pleasure and has directed its promotion and advertising activities accordingly. The Company continued to use all media extensively and directed its appeals to adult smokers in an honest, restrained and tasteful manner.

The Company's part in the rapidly growing public interest in sports car races was continued with the "Player's 200" trophy race run at Mosport and the "Player's Pacific" trophy in the championship races in British Columbia.

Problems of our industrial society of today require constructive thought and attention. A unique focus on these matters was provided last year in Canada by the Duke of Edinburgh's Second Commonwealth Study Conference. Here Jean St-Jacques, officer of an associated company, speaks on behalf of the 300 delegates in greeting the distinguished guests at official opening ceremonies of the Study Conference at the University of Montreal.

The Company's fiftieth anniversary last year provided occasion for appraisal of policy and philosophy. A newspaper advertisement at the time said, in part: "... The Company endeavours to secure such confidence by its manufacturing skills and research activities. Imperial Tobacco's reputation for honesty, integrity and fair dealing, its ethical standards of truth and good taste in advertising, are all in the best interests of the public and the whole tobacco industry."

THE PRESIDENT REPORTS TO THE SHAREHOLDERS

**AMERICAN FULL
PAGE ADVERTISING**


YOUR NOTICE

IF SHARES

approach

**Oil Opens
Operation
Australia**

Share Drafting



Golden Anniversary 1912-1962

**SYMBOL OF SATISFACTION
FOR ALL SMOKERS**

YOUR ASSURANCE OF ALL THAT IS BEST IN TOBACCO PRODUCTS

At its recent Annual meeting, Imperial Tobacco Company marked the completion of a half-century of progress and leadership: a golden jubilee of achievements. As the Company enters its second half-century, it reaffirms the philosophy of doing business which has guided its growth during the first fifty years.

This philosophy has always been to set and maintain the highest possible standards of quality. The continuing confidence of consumers of our products is the best evidence that these standards are appreciated by Canadian smokers.

The Company endeavours to secure such confidence by its manufacturing skills and research activities. Imperial Tobacco's reputation for honesty, integrity and fair dealing, its ethical standards of truth and good taste in advertising, are all in the best interests of the public and the whole tobacco industry.

Imperial Tobacco is convinced that faithful adherence to this philosophy has built the Company's good name and its many well-established brands, which guarantee full value and satisfaction for all smokers. And it is further assurance that Imperial Tobacco will continue to lead in bringing you new and worthwhile contributions to smoking pleasure.

Edward C. Wood

Edward C. Wood, President

IMPERIAL TOBACCO COMPANY

YOU CAN BE CONFIDENT OF THE BEST FROM IMPERIAL TOBACCO

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Lond S
Under In**

An innovation was the nationwide Player's Bowling Festival that produced 61,000 entrants; the many winners from across Canada enjoyed an all-expenses-paid holiday for two in the West Indies or Hawaii.

The program of research and development touches upon every aspect of the Company's operations. Continuing experiments in the growing of tobacco leaf are carried on in co-operation with government departments. More extensive reference is made to the Company's development work with suppliers in the special report that follows under the heading "Mature Sense of Responsibility."

Research conducted in many countries into the continuing question of a possible relationship between smoking and health left the scientific situation unchanged at the end of the year. The Company supported a number of activities to advance knowledge in this area, including financial support of independent research and ready co-operation with medical authorities interested in this field.

In recent months, two senior officials who had been long-time associates retired according to the Company's provisions for retirement. On behalf of all their friends in Imperial Tobacco, I wish Mr. R. A. Parham and Mr. René Phaneuf many years of health and happiness. Like-



A special bronze plaque was presented to Imperial Tobacco on the occasion of the Company's fiftieth anniversary by the National Association of Tobacco and Confectionery Distributors at their national conference. It was given, it states, "in appreciation of the co-operation extended to their distributors throughout the years". Admiring the handsome piece are E. F. Erzinger (seated), vice-president Imperial Tobacco Sales Company, and the three regional managers, from left, R. B. Alexander, Western Canada; H. M. Crevier, Eastern Canada; and G. S. McTeer, Ontario.

wise, our good wishes go to Mr. E. F. Erzinger, who retires at the end of February.

The friendships and loyalty that the Company enjoys with its jobbers and dealers are always a great source of satisfaction and assurance, and while further reference is made in the special report that follows, I wish to take this opportunity to express our appreciation of their continuing support and co-operation.

At this time I am particularly mindful of the warmth and enthusiasm always demonstrated by our employees, and I want to record my personal thanks and appreciation.

As we record the results of Imperial Tobacco for the first year of its second half-century of corporate existence, I am tempted to reflect briefly on the years that have passed and the years that lie ahead.

In the Company's spheres of activity there have always been, and doubtless will be, many worrisome problems but the positive forces of growth and improvement have prevailed and I have every confidence they will continue to do so.

Looking beyond to the larger horizons of Canada as a whole, I feel it would be in order to apply exactly the same phrases. Day-to-day concerns exist in our country and must be faced with intelligence and with understanding. But I like to think that the physical evidences of growing maturity — subways and skyscrapers, Seaway and highways, added attention to our natural and human resources — are also evidences of growing mental and social maturity.

If we, as individuals and as organizations, have a sincere interest in those around us and recognize our responsibility to the community at large, I see horizons unlimited for Canada, as I do for the Company.

Edward C. Hand

Montreal, 18th February 1963

President

MATURE SENSE OF RESPONSIBILITY

The shareholder who looks beyond the year-end figures of a company is frequently surprised by the extent of initiative and energy applied on his behalf. No matter how large the organization, to be successful today its efforts must go far beyond the "simple" buying and selling operations.

In Imperial Tobacco the types of activity and the approach to these activities are fundamental in the conduct of its affairs. For instance, the Company's interest — and readiness — to help others has been an active policy for many years. On this base has rested much of its continuing strength and growth.

In a newspaper advertisement last year on the occasion of the Company's fiftieth anniversary, its credo was enunciated in a reference to "Imperial Tobacco's reputation for honesty, integrity and fair dealing". The extension of this sentiment into active practice is a way of life in the Company.

Recently, after the visit of two consultants from the Company's Credit Department, one wholesale tobacco company in Ontario wrote a special letter of thanks to the president, saying in part: "These gentlemen, in proffering to us the knowledge they have of our industry and the



experience they have in general business practice, have been of great help."

A jobber in Quebec stated flatly that the special studies on his firm by Imperial Tobacco consultants have been "my guide; I go by them; I've never gone wrong." He spoke with feeling as he described the advice that has enabled him to handle the substantial increase in the volume of business he has had in the last three years with virtually no increase in his overhead costs.

How do these tributes come about?

In addition to the continuous service and counsel of experienced sales staff from coast to coast, company credit personnel travel the country regularly and have come to know a large percentage of customers personally. Their assignment is clear-cut: to apply their "know-how" to strengthening and improving the customers' organizations wherever possible.

This is done in a methodical and systematic manner. Where a customer specifically requests it, an Imperial Tobacco adviser will analyse the customer's operations and suggest areas of improvements. Frequently, suggestions apply to financial management, such as reducing the time lag of collections. Such forthright advice is given to

The skills and experience of Imperial Tobacco staff are applied extensively to the benefit of customers. In this warehouse of H. Rainville Co. Ltd., structural changes and methods recommended by Company engineers have been adopted for order-filling, stock-handling and inventory-taking—important aids in combating the continuing squeeze on earnings.

a customer as: "Compete with service, but *do not* compete with credit. You are a wholesaler, not a banker."

If a customer requires help in other directions, appropriate skilled staff of the Company's Engineering Department will study other aspects of his business and make a complete report on how to improve warehousing, inventory, methodology, and so on. The time drivers spend on their rounds of deliveries, the time in filling orders—all play their part in achieving a profitable operation.

One dealer learned that a lifelong practice of stacking merchandise against walls was wasteful and inefficient; he now stacks in the middle with aisles permitting the filling of shelves from the back, thus providing for automatic rotation of stock without extra or special handling.

In another case, one conveyor-belt in a warehouse served for both receiving and shipping, with frequent bottlenecks resulting. At nominal cost, another line was installed and

now the flow of goods in and out is carried on independently and unimpeded.

The orderly organization of merchandise can make possible inventories once a month — instead of once a year — an absolute necessity if proper controls are to be instituted to yield a profitable operation in these critically competitive days.

For many a small businessman information about market trends and trade practices is invaluable.

One regional manager of the Company puts it this way, "I believe it is part of the way we who are Imperial Tobacco representatives can help in advising our customers regarding better and more profitable ways for them to run their business . . . On one occasion I cautioned a jobber to make sure that a firm he was offered would be a sound and profitable business. . . . He made the purchase, and largely as a result of this deal which he did not carefully analyse at the start, he is now out of business.

"On the other hand," the regional manager continued, "we have advised certain of our customers that it might be a good thing for them to sell their business. One of our customers who had prospered over the years was at an advanced age and was finding it increasingly difficult to

cope with the business pace. To keep in business he needed to expand or embark on extensive new activities. It was suggested to him that he should consider retiring and enjoying the fruits of his labour. That idea had never occurred to him, being too close to his own problem. He took this advice and I am pleased to say I hear from him quite frequently letting me know he is very happy in his retirement and pleased that he listened to the advice we gave him."

The community of Imperial Tobacco is large and diverse. Interest in the welfare of customers is to be expected, but it is not a tight-fisted, hard-headed approach that many in the public still seem to associate with large companies. Rather it is a sincere interest to see that a customer achieves success in his own right; if he does, common-sense suggests that long-range benefits will accrue to the Company as a supplier.

In this spirit, the welfare of suppliers is no less important and the attitude of the Company is to secure, with due regard to quality and cost, the best possible value and service. This outlook has led to close working relationships with many of the Company's 800 suppliers in the development of new and improved materials and processes. In

recent years Imperial Tobacco has been able to make additional purchases in Canada amounting to millions of dollars as a result of advances by textile, pulp and paper, and chemical firms. Today the Company buys more than 95 per cent of its materials in Canada.

To the tobacco grower the resources and the research of Imperial Tobacco's Practical Experimental Farm have contributed to better quality leaf tobacco and improved yield steadily almost every year. Hundreds of tobacco growers in southern Ontario make a point of an annual visit to see what is new on the Company's Tobacco Farm.

The buoyant economy of a region is the prime objective of all levels of government. In areas where the soil shows promise of yielding tobacco crops, the Company has received many government requests for assistance in experimental growing of tobacco leaf. In the Maritime provinces these experiments have been gradually increasing in significance each year.

For instance, in 1962 in Prince Edward Island there were some fifteen tobacco growers who harvested almost a half-million pounds of tobacco; in 1963 the number of growers will be almost doubled. In a county in Nova Scotia an unseasonal spring frost led to difficulties that



Among new members in 1962 of Imperial Tobacco's Quarter Century Chapters is Anne M. Knight of St. John's, Newfoundland, here receiving her membership certificate from A. Reid Tilley, vice-president. The Company chapters include 864 active employees and 481 who have retired.



◀ *The Company has responded to requests of governments to assist in their efforts to grow tobacco leaf in new regions. On an inspection visit to the new tobacco growing area of Prince Edward Island last summer were R. A. Parham, Imperial Tobacco vice-president (left); Hon. A. B. MacRae, P.E.I. Minister of Agriculture; and Dr. N. A. MacRae (no relative), assistant director of program (crops) of the Research Branch, Department of Agriculture, Ottawa.*

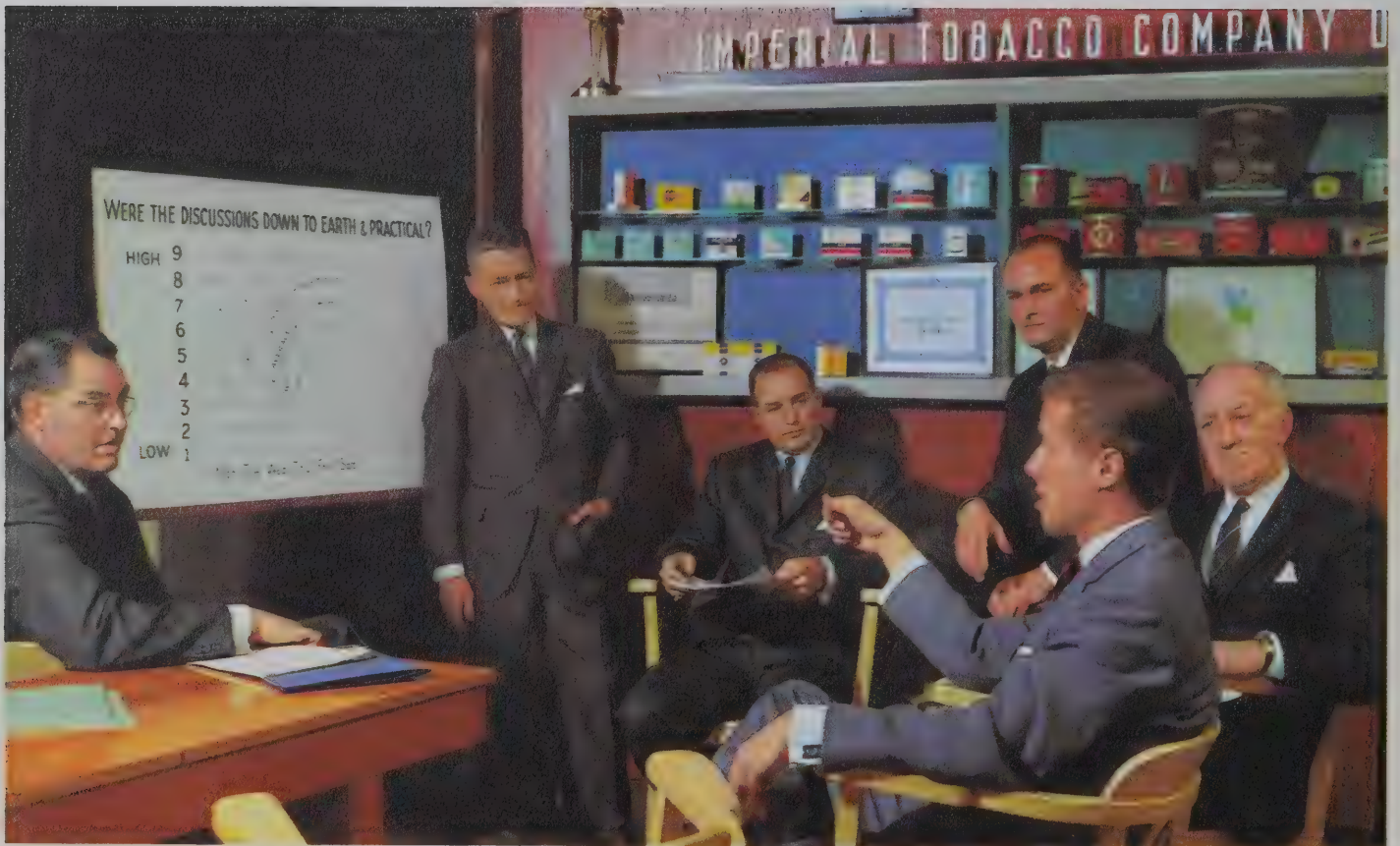


▶ *Wherever possible Imperial Tobacco encourages growers to improve the quality of their tobacco leaf. Here John Malo (right) receives award for being named Norfolk County Fair Tobacco King. In 1959 he also won first prize at the Royal Agricultural Winter Fair. Presenting the award is Gil Christy, well-known spokesman on television for Player's cigarettes.*

People in their everyday lives make use of a wide range of Company products, a few of which are shown here. At home, in business, out socially — the cigarette, cigar and pipe provide pleasure, relaxation and enjoyment.







produced an emergency appeal to the Company who sent two of its top tobacco leaf specialists to investigate and advise.

In the more extended field of community service, the Company operates three tree farms in Ontario and one in Quebec with the object of illustrating to tobacco growers and also to other farmers the importance of trees in the conservation of soil and protection of crops from wind. Further extensive and energetic conservation work is done in the field of fire prevention through the support of national and regional programs across the country. Attention to

farming and to the outdoors is fostered through active support of the 4-H Clubs and the Junior Farmers Achievement program. In still a more general sense Imperial Tobacco employees are noted for their community spirit and are to be found in a great variety of communal and charitable work.

To Imperial Tobacco the community at large means many specific communities of every sort and description. Where the Company can play a positive role it does so in the knowledge and full expectancy that its own strength and welfare are interwoven in the welfare of others.

Training programs and discussion groups in the Company are designed to encourage individual judgment and desire for self-improvement. Reviewing recent results are, clockwise from left: Earl Hawkins, personnel assistant to executive vice-president; Gilles Paquette, manager industrial relations department; Edward Cross, senior personnel assistant; Clifford Warren, manager work design department; Robert Fraser, plant training and education manager; and Pierre Roberge, assistant secretary of the Company.

IMPERIAL TOBACCO COMPANY OF CANADA, LIMITED

DIRECTORS: Edward Cabell Wood, *President*
John McDonell Keith, *Executive Vice-President*
James Allan Calder, *Vice-President and Treasurer*
Reginald Blake Burt Lansdown, *Vice-President*
Leo Conrad Laporte, *Vice-President*
Alexander Reid Tilley, *Vice-President and Secretary*
Edwin Frederick Erzinger, *Vice-President Sales Company*

Bernard Dansereau, Q.C., *General Counsel*
William Henry Booth, *Comptroller*
Brian Gallagher, *Assistant Treasurer*
Pierre Roberge, *Assistant Secretary*
Deloitte, Plender, Haskins & Sells, *Auditors*
Touche, Ross, Bailey & Smart, *Accounting Consultants*

In accordance with Company retirement provisions:

Edwin Frederick Erzinger *retires 28th February 1963*

Robert Alexander Parham, *formerly a director and vice-president, retired 30th November 1962*

René Phaneuf, *formerly Secretary, retired 31st December 1962*

Leo Conrad Laporte, *manager of the research and development department, was elected to the Board of Directors and appointed a vice-president 30th November 1962.*

FINANCIAL RESULTS

COMMENTS ON THE YEAR'S OPERATIONS

Although consolidated sales for the year ended 31st December 1962 showed an increase of \$14,287,000 or 4%, the burden of ever increasing costs resulted in consolidated net earnings of \$13,361,000 falling short of those of the previous year by \$496,000 or 3½%. After taking into account dividends on 6% preference shares outstanding, the amount earned on common shares was \$1.33 compared to \$1.38 for the previous year.

At year-end a transfer of \$3,282,000 was made to accumulated depreciation from retained earnings in recognition of increased replacement cost of fixed assets occasioned by a continuation in the general inflationary trend, improved appraisal methods, and the effect of devaluation of the Canadian dollar on certain types of machinery which can only be purchased in other countries. In view of the announced temporary nature of tariff surcharges imposed last June, these have not been reflected in replacement costs of imported assets.

During the year your Company has continued its program to assure availability of price indexes from impartial and recognized sources for application in determining replacement values, and has been encouraged by the awareness shown and co-operation given by the Dominion Bureau of Statistics which has been engaged for some time in the development of price indexes relevant to this use and currently is continuing important research in this connection.

Retained earnings of \$40,575,000 at the end of 1962 show an increase of \$2,818,000 for the year. The increase

is derived from net earnings less dividends — \$5,868,000 — and reflects other items as shown on the statement of Consolidated Retained Earnings.

Working capital of \$93,836,000 at the end of 1962 shows an increase of \$5,116,000. This improvement has been accomplished despite cash disbursements totalling more than \$5,500,000 during the year in respect of redemption of debentures and of capital expenditures to improve manufacturing, distribution and other facilities.

After receiving shareholder approval, minor changes in the form of the capital stock of the Company have been effected since the beginning of 1962. By Supplementary Letters Patent dated 17th April 1962 and 12th February 1963 respectively, the common shares were changed from \$5 par to "no par value" shares, and the 6% preference shares became purchasable by the Company subject to the freely exercised discretion of individual shareholders.

During the year regular dividends were paid on the 6% cumulative preference shares and one interim dividend of 12½ cents and three of 15 cents each, totalling 57½ cents per share, were paid on the common shares. In addition, a final dividend for the year 1962 of 15 cents per common share has been declared payable 29th March 1963, bringing total dividends on common shares for the year to 72½ cents per share, which is the same as total dividends paid in respect of the previous year's operations.

Following the declaration of the final dividend for 1962, the first interim dividend on common shares for 1963 of 15 cents per share was declared payable 29th March 1963.

IMPERIAL TOBACCO COMPANY OF CANADA, LIMITED and Subsidiary Companies

Year ended 31st December 1962 with comparative figures for 1961

CONSOLIDATED EARNINGS

	1962	1961
Net sales.....	\$373,392,000	\$359,105,000
Cost of sales, excise taxes, merchandising and general expenses (note 1).....	344,496,000	329,025,000
Depreciation (note 2).....	3,757,000	3,482,000
	<u>348,253,000</u>	<u>332,507,000</u>
Earnings from operations.....	25,139,000	26,598,000
Investment and other income.....	787,000	576,000
	<u>25,926,000</u>	<u>27,174,000</u>
Interest on funded debt.....	332,000	374,000
	<u>25,594,000</u>	<u>26,800,000</u>
Earnings before income taxes.....	12,233,000	12,943,000
Income taxes (note 3).....		
Net earnings for the year	<u>\$ 13,361,000</u>	<u>\$ 13,857,000</u>

CONSOLIDATED RETAINED EARNINGS

Earned surplus 1st January.....	\$ —	\$ 24,242,000
Net adjustment — reserves and goodwill.....	—	5,387,000
Retained earnings 1st January.....	37,757,000	29,629,000
Net earnings for the year.....	13,361,000	13,857,000
Additional depreciation requirement (note 2).....	3,282,000	1,008,000
Net profit (loss) on disposal of fixed assets.....	92,000	604,000
Capital increment applicable to disposal of fixed assets.....	324,000	2,168,000
	<u>48,068,000</u>	<u>45,250,000</u>
Dividends (note 4).....	7,493,000	7,493,000
Retained earnings 31st December.....	<u>\$ 40,575,000</u>	<u>\$ 37,757,000</u>

The notes on pages 19 and 20 form an integral part of these statements.

IMPERIAL TOBACCO COMPANY OF CANADA, LIMITED
and Subsidiary Companies

anies

NOTES FORMING AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

1. *Cost of sales, excise taxes, merchandising and general expenses*

Included in this item is the amount of \$395,000 (1961 — \$388,000) paid in respect of remuneration to all executive officers, salaried directors, solicitors and other legal expenses.

2. *Fixed assets and depreciation*

a) Depreciation charged against earnings for the year and accumulated depreciation to date are based on replacement cost both in the consolidated statements and in the books of the individual companies. The same rates applied to historic cost would have given rise to a charge for the year of \$3,237,000 (1961 — \$3,007,000).

b) Fixed assets are recorded in the books of the companies at historic cost and are shown at replacement cost only on consolidation.

c) The replacement cost of fixed assets is based on appraisals made as at 31st December. For 1962, buildings were appraised at replacement cost and land at current market value by Canadian Appraisal Company Limited. Machinery and equipment were valued at replacement cost by company officials utilizing price indexes obtained from the Dominion Bureau of Statistics and, where necessary, price indexes based on government and industry studies in other countries. On consolidation the use of replacement cost gives rise to an increase in fixed assets before depreciation of \$28,884,000 which is reflected in capital increment.

d) The effects of the foregoing are summarized as follows:

	1962	1961
Land, buildings and equipment at historic cost.....	\$61,199,000	\$59,493,000
Capital Increment.....	28,884,000	23,918,000
Replacement cost.....	90,083,000	83,411,000
Less:		
Accumulated depreciation 1st January.....	42,654,000	39,058,000
Accumulated depreciation on disposals during year.....	1,649,000	3,358,000
Depreciation for the year.....	3,757,000	3,482,000
Transferred from fixed asset replacement reserve.....	—	2,464,000
Additional depreciation requirement transferred from retained earnings.....	3,282,000	1,008,000
Accumulated depreciation based on replacement cost.....	48,044,000	42,654,000
Fixed assets.....	\$42,039,000	\$40,757,000

3. *Income taxes*

The charge for income taxes exceeds the amount payable by \$180,000 as a consequence of allowable depreciation exceeding the amount charged in the accounts. Since the reverse is expected to occur in some future years, the amount concerned is included in the balance sheet item termed "Accumulated income tax reductions applicable to future years", which also reflects net adjustments arising from revised allowable depreciation applicable to prior years, making the increase in this item \$227,000 for the year.

1962	1961
13,037,000	\$ 8,303,000
13,323,000	5,075,000
11,520,000	14,333,000
86,004,000	90,483,000
23,884,000	118,194,000
6,272,000	5,495,000
21,505,000	20,982,000
1,571,000	2,297,000
700,000	700,000
30,048,000	29,474,000
93,836,000	88,720,000
1,267,000	1,295,000
42,039,000	40,757,000
1,000	1,000
37,143,000	130,773,000
9,987,000	11,628,000
1,314,000	1,087,000
11,301,000	12,715,000
25,842,000	\$118,058,000
56,383,000	\$ 56,383,000
28,884,000	23,918,000
40,575,000	37,757,000
25,842,000	\$118,058,000

Signed on behalf of the Board:

EDWARD C. WOOD, Director

J. A. CALDER, Director

NOTES FORMING AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

CONSOLIDATED EARNINGS

Net sales.....
Cost of sales, excise taxes, merc
Depreciation (note 2).....
Earnings from operations.....
Investment and other income...
Interest on funded debt.....
Earnings before income taxes...
Income taxes (note 3).....
Net earnings for the year

4. Dividends

Dividends of Imperial Tobacco Company of Canada, Limited:

	1962	1961
On 6% cumulative preference shares.....	\$ 482,000	\$ 482,000
On common shares:		
Four interim dividends totalling 57½ cents per share (1961 — 50 cents per share).....	5,561,000	4,835,000
Provision for final dividend for year of 15 cents per share (1961 — 22½ cents per share).....	1,450,000	2,176,000
	<u>\$ 7,493,000</u>	<u>\$ 7,493,000</u>

5. Provision for dividends

Provision for dividends of Imperial Tobacco Company of Canada, Limited:

	1962	1961
Accrued on preference shares.....	\$ 121,000	\$ 121,000
Final for year on common shares.....	1,450,000	2,176,000
	<u>\$ 1,571,000</u>	<u>\$ 2,297,000</u>

6. Debentures

	1962	1961
2¾ % debentures (maturing \$700,000 15th April each of the years 1964 and 1965).....	\$ 1,400,000	\$ 2,100,000
2⅞ % debentures (maturing 15th April 1966).....	2,909,000	3,592,000
3% sinking fund debentures (maturing 1st March 1970).....	5,678,000	5,936,000
	<u>\$ 9,987,000</u>	<u>\$ 11,628,000</u>

7. Shareholders' risk capital

While the term "shareholders' risk capital" is subject to different interpretations, it is here used to emphasize that the items shown thereunder are each attributable to the shareholders, and in total comprise the amount of shareholders' equity at risk in the business.

8. Paid up share capital

	1962	1961
6% cumulative preference shares par value \$4.86⅔ each		
Authorized and issued 1,650,000 shares.....	\$ 8,030,000	\$ 8,030,000
Redeemable sinking fund preference shares par value \$25 each		
Authorized: 200,000 shares		
Issued: none.....	—	—
Common shares no par value (1961 — par value \$5 each)		
Authorized: 10,800,000 shares		
Issued: 9,670,532 shares.....	48,353,000	48,353,000
	<u>\$56,383,000</u>	<u>\$56,383,000</u>

9. Retained earnings

Retained earnings include an amount of \$1,245,000 (1961 — \$1,505,000) specifically set aside as a special sinking fund reserve for the 3% sinking fund debentures. This is the maximum amount required to be set aside by the trust indenture until the debentures mature on 1st March 1970. As and when these debentures are purchased for cancellation the principal amount thereof and the interest accrued to date of purchase may be deducted from the reserve and thus reduce the amount specifically set aside for the purpose. The reduction in the reserve during 1962 was \$260,000 (1961 — \$358,000).

CONSOLIDATED RETAINED E

Earned surplus 1st January.....
Net adjustment — reserves and
Retained earnings 1st January..
Net earnings for the year.....
Additional depreciation require
Net profit (loss) on disposal of
Capital increment applicable to

Dividends (note 4).....
Retained earnings 31st Decemb

The notes on pages 19 and 20 form

IMPERIAL TOBACCO COMPANY OF CANADA, LIMITED and Subsidiary Companies
31st December 1962 with comparative figures for 1961

CONSOLIDATED BALANCE SHEET

CURRENT ASSETS

	1962	1961
Cash and term deposits.....	\$ 13,037,000	\$ 8,303,000
Marketable securities (market value \$13,417,000)	13,323,000	5,075,000
Accounts receivable and prepaid expense, less allowance for doubtful accounts.....	11,520,000	14,333,000
Leaf tobacco, manufacturing materials, supplies and merchandise (at average cost).....	86,004,000	90,483,000
Total Current Assets	123,884,000	118,194,000

CURRENT LIABILITIES

Accounts payable and accrued liabilities.....	6,272,000	5,495,000
Income, excise and other taxes.....	21,505,000	20,982,000
Provision for dividends (note 5).....	1,571,000	2,297,000
2¾ % debentures (maturing 15th April 1963).....	700,000	700,000
Total Current Liabilities	30,048,000	29,474,000

Working Capital (Net Current Assets) 93,836,000 88,720,000

OTHER ASSETS

Investments.....	1,267,000	1,295,000
Fixed assets (note 2).....	42,039,000	40,757,000
Goodwill, trade marks and patents.....	1,000	1,000
	137,143,000	130,773,000

OTHER LIABILITIES

Debentures (note 6)	9,987,000	11,628,000
Accumulated income tax reductions applicable to future years (note 3).....	1,314,000	1,087,000
	11,301,000	12,715,000
Excess of Assets over Liabilities	\$125,842,000	\$118,058,000

Provided by:

SHAREHOLDERS' RISK CAPITAL (note 7)

Paid up share capital (note 8).....	\$ 56,383,000	\$ 56,383,000
Capital increment (note 2).....	28,884,000	23,918,000
Retained earnings (note 9).....	40,575,000	37,757,000
	\$125,842,000	\$118,058,000

The notes on pages 19 and 20 form an integral part of these statements.

Signed on behalf of the Board:

EDWARD C. WOOD, Director
J. A. CALDER, Director

IMPERIAL TOBACCO COMPANY OF CANADA, LIMITED and Subsidiary Companies

TEN YEAR SUMMARY

CONDENSED CONSOLIDATED BALANCE SHEET 31ST DECEMBER

	(Thousands of dollars)				
	1962	1961	1960(a)	1959	1958
Current assets.....(b)	123,884	118,194	113,155	109,293	106,315
Current liabilities.....	30,048	29,474	30,069	34,174	31,068
Working capital.....	93,836	88,720	83,086	75,119	75,247
Investments.....	1,267	1,295	246	204	228
Fixed assets less accumulated depreciation.....(c)	42,039	40,757	41,649	18,987	15,089
Goodwill, trade marks and patents.....	1	1	1	31,097	31,097
	137,143	130,773	124,982	125,407	121,661
Debentures.....	9,987	11,628	12,796	14,056	15,177
Other shareholders' interests.....	—	—	—	29	29
Accumulated income tax reductions applicable to future years.....	1,314	1,087	730	—	—
Excess of assets over liabilities.....	125,842	118,058	111,456	111,322	106,455
Provided by:					
Paid up share capital.....	56,383	56,383	56,383	56,383	56,383
Capital increment.....	28,884	23,918	25,060	—	—
Reserves.....	—	—	—	23,925	22,660
Surplus & general reserve.....	—	—	—	31,014	27,412
Retained earnings.....	40,575	37,757	30,013	—	—
	125,842	118,058	111,456	111,322	106,455

CONDENSED CONSOLIDATED STATEMENT OF RETAINED EARNINGS 1960/62 AND OF EARNED SURPLUS 1953/59

	(Thousands of dollars)				
	1962	1961	1960(a)	1959	1958
Earned surplus 1st January.....	—	24,242	21,014	17,912	15,256
Net adjustment — reserves and goodwill.....	—	5,387	3,590	—	—
Retained earnings 1st January.....	37,757	29,629	24,604	—	—
Net earnings for the year.....	13,361	13,857	13,620	—	—
Net profit for the year.....	—	—	—	11,111	10,665
Additional depreciation requirement.....	3,282	1,008	1,473	—	—
Net profit (loss) on disposal of fixed assets.....	92	604	654	—	—
Capital increment applicable to disposal of fixed assets.....	324	2,168	925	—	—
Transferred from capital surplus.....	—	—	—	—	—
	48,068	45,250	37,022	29,023	25,921
Provision for redemption of 4% preference shares.....	—	—	—	—	—
Provision for redemption of debentures.....	—	—	—	500	500
Reserve for investment in preference shares of The Tuckett Tobacco Company, Limited.....	—	—	—	—	—
Transferred to general reserve.....	—	—	—	500	500
Dividends:					
on preference shares.....	482	482	482	482	482
on common shares.....	7,011	7,011	6,527	6,527	6,527
	7,493	7,493	7,009	8,009	8,009
	40,575	37,757	30,013	21,014	17,912
Net revision for comparable presentation.....	—	—	5,771	—	—
Balance 31st, December.....	40,575	37,757	24,242	21,014	17,912

a) Comparative figures on 1961/62 basis

b) 1953/59 figures are adjusted to include deferred charges

c) 1953/59 figures are based on historic cost and 1960/62 figures on replacement cost.

CONDENSED CONSOLIDATED BALANCE SHEET 31ST DECEMBER

(Thousands of dollars)

1957	1956	1955	1954	1953	
103,267	130,652	115,282	103,115	98,591	(b).....Current assets
27,134	53,594	36,553	19,600	17,548	.....Current liabilities
76,133	77,058	78,729	83,515	81,043	.....Working capital
216	606	281	332	341	.....Investments
10,609	6,251	4,607	5,224	5,952	(c).....Fixed assets less accumulated depreciation
31,097	31,097	31,097	31,097	31,097	.....Goodwill, trade marks and patents
118,055	115,012	114,714	120,168	118,433	.....Debentures
16,217	18,190	20,863	23,193	24,300	.....Other shareholders' interests
27	381	2,063	2,062	2,060	.....Accumulated income tax reductions applicable to future years
101,811	96,441	91,788	94,913	92,073	.....Excess of assets over liabilities
56,383	56,383	56,383	63,572	63,995	.....Provided by:
21,172	19,147	16,596	14,133	12,453	.....Paid up share capital
24,256	20,911	18,809	17,208	15,625	.....Capital increment
101,811	96,441	91,788	94,913	92,073	.....Reserves
					.....Surplus & general reserve
					.....Retained earnings

CONDENSED CONSOLIDATED STATEMENT OF RETAINED EARNINGS 1960/62 AND OF EARNED SURPLUS 1953/59

(Thousands of dollars)

1957	1956	1955	1954	1953	
12,911	10,809	9,397	8,238	7,474	.....Earned surplus 1st January
—	—	—	—	—	.....Net adjustment — reserves and goodwill
—	—	—	—	—	.....Retained earnings 1st January
10,954	10,470	8,790	7,884	7,533	.....Net earnings for the year
—	—	—	—	—	.....Net profit for the year
—	—	—	—	—	.....Additional depreciation requirement
—	—	—	—	—	.....Net profit (loss) on disposal of fixed assets
—	—	2,811	—	—	.....Capital increment applicable to disposal of fixed assets
23,865	21,279	20,998	16,122	15,007	.....Transferred from capital surplus
600	500	1,100	415	975	.....Provision for redemption of 4% preference shares
—	1,100	—	700	400	.....Provision for redemption of debentures
1,000	—	3,000	—	—	.....Reserve for investment in preference shares of
482	482	529	775	801	.....The Tuckett Tobacco Company, Limited
6,527	6,286	5,560	4,835	4,593	.....Transferred to general reserve
8,609	8,368	10,189	6,725	6,769	.....Dividends:
15,256	12,911	10,809	9,397	8,238	.....on preference shares
15,256	12,911	10,809	9,397	8,238	.....on common shares
					.....Net revision for comparable presentation
					.....Balance 31st December

IMPERIAL TOBACCO COMPANY OF CANADA, LIMITED and Subsidiary Companies

STATEMENT OF CHANGES IN CONSOLIDATED WORKING CAPITAL

during the year ended 31st December 1962

Increased by:

Net earnings.....	\$ 13,361,000	
Investments (reduced during year).....	28,000	
Depreciation.....	3,757,000	
Accumulated income tax reductions applicable to future years.....	227,000	\$ 17,373,000

Decreased by:

Net expenditure on fixed assets.....	3,123,000	
Dividends.....	7,493,000	
Redemption of debentures.....	1,641,000	12,257,000
Net increase.....		5,116,000
Working capital at beginning of year.....		88,720,000
Working capital at end of year.....		\$ 93,836,000

AUDITORS' REPORT

DELOITTE, PLENDER, HASKINS & SELLS, Chartered Accountants
215 St. James Street West, Montreal

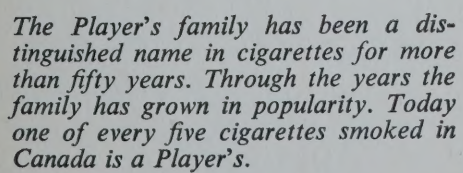
To the Shareholders
of Imperial Tobacco Company of Canada, Limited

We have examined the consolidated balance sheet of Imperial Tobacco Company of Canada, Limited and Subsidiary Companies as at 31st December 1962 and the statements of consolidated earnings and consolidated retained earnings for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion and according to the best of our information and the explanations given to us, and as shown by the books of the companies with the adjustment of the values of fixed assets referred to in note 2(b), the accompanying consolidated balance sheet and statements of consolidated earnings and consolidated retained earnings are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the companies as at 31st December 1962 and the results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Deloitte, Plender, Haskins & Sells
Auditors

18th February 1963



The Player's family has been a distinguished name in cigarettes for more than fifty years. Through the years the family has grown in popularity. Today one of every five cigarettes smoked in Canada is a Player's.

